

**Remarks by Ambassador Thomas C. Hubbard
Korea's Official Pool of International Economists (KOPIE)**

**“The Resolution of the North Korean Nuclear Issue and its Implications for
Regional Integration”**

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Thank you very much. I am honored to be able to address this meeting of Korea's Official Pool of International Economists. It's a good opportunity to discuss the dynamic role that Northeast Asia plays in the world today, as well as the way in which issues in the region are increasingly being managed in a multilateral context.

Inevitably, managing North Korea is at the center of such considerations, inasmuch as Pyongyang's behavior poses the most urgent security problem for all other nations in this region.

As a non-economist, I always find it daunting to talk about economics to a large group of economists. Diplomats tend to be more confident about political and security matters; so you should not be surprised that I begin my talk by addressing North Korea's nuclear weapon program.

Moreover, I know that finding a solution to the North Korean nuclear problem is of deep interest and concern even to the serious economists gathered here today, because long-term prospects for regional economic integration and development in Northeast Asia will be heavily affected by this problem. A nuclear-free Korean Peninsula is in everyone's interest, including the North Koreans, and especially to those who are concerned about the economic and business environment in the region.

North Korea's nuclear program violates a host of commitments, including the Agreed Framework, the North-South Declaration, and the Nuclear Nonproliferation Treaty. Pyongyang's nuclear program is a potential threat to all of the nations of this region. And, as I shall discuss later, it is an impediment to the economic integration of the region. Although Pyongyang keeps trying to turn it into a bilateral issue, North Korea's nuclear program is a multilateral problem that affects the interests of numerous nations, and it therefore needs to be addressed in a

multilateral framework, as President Bush emphasized in Bangkok.

The United States, like its other four partners, is committed to seeking a peaceful resolution of the North Korean nuclear problem through multilateral diplomacy. The Six Party Talks held in Beijing in August represent a good start, and we hope that process will continue and produce concrete results. We are encouraged by North Korea's recent announcement that it will return to the next round of talks and hope this means that we will soon make additional progress.

Each of our partners in the Six Party Talks has made clear that a nuclearized Korean Peninsula is unacceptable. We all agree that North Korea must dismantle its nuclear program. To be meaningful, that dismantlement must be complete, verifiable, and irreversible.

Pyongyang claims that it fears an American attack and that it therefore needs security assurances from the United States. President Bush has made unmistakably clear, as recently as during his summit meeting last month in Bangkok with President Roh, that the U.S. has no hostile intent toward North Korea and that we remain committed to resolving this issue through dialogue and diplomacy in cooperation with other interested parties. What we are all asking is that North Korea eliminate its threat to us - in the first instance by abandoning its nuclear weapons program.

North Korea has often demanded a non-aggression treaty. The fact is that the United States has never concluded a non-aggression treaty with another country, and we see no reason to begin with North Korea. As President Bush has said, however, we are prepared to explore written security assurances in a multilateral context.

Multilateral security assurances would seem best suited to meet North Korea's needs. Security in this context would mean that all nations in the region would make mutual and reciprocal commitments to maintain the peace, and all would have a responsibility to do so. Such a multilateral agreement, in the Six Party context, would involve South Korea, Russia, Japan and China, as well as the United States and North Korea, thereby providing an unprecedented degree of stability in the region. Such an agreement might

well initiate, with further diplomacy, a new era of cooperation based on an emerging pattern of shared interests.

The economic implications of a resolution of the North Korean nuclear problem would be far-reaching. Throughout the region, especially here in South Korea, investment is affected by concerns over the unpredictable military threat from the North. Every threat, and each shrill statement from Pyongyang, negatively affects investors' attitudes. This is a situation that benefits no one.

One of the striking trends of the past 20 years has been the growing integration among the countries of Northeast Asia and the United States. Trade levels within Northeast Asia and between Northeast Asia and the U.S. have skyrocketed. The amount of tourism, the number of students traveling from one country to study in another, all are much higher than ever before, and all manifest this increasing integration. It would be difficult to overstate the economic, cultural and security benefits that have accrued to the countries involved in this integration.

There is, however, one, and only one, exception to this trend: North Korea. And North Korea, and its people, and the people of the region, have paid a terrible price for the DPRK's continuing, self-imposed isolation. Pyongyang's failed economy has turned it into an international charity case, dependent upon the beneficence of the international community to feed its children.

Finally, of course, just as the 22 million people of North Korea have been denied the opportunity to trade with the rest of the region, so the rest of the region has been denied access to the DPRK. If Koreans in the North were allowed to flourish economically, culturally, and politically, think of the positive force that would be unleashed in this region. If the North Korean people were able to use their talents productively, it would benefit all of us in the region.

If progress is made within the framework of the Six Party Talks, I believe that the investment climate on the Korean Peninsula, and throughout the region, can only improve. While the North Korean nuclear situation is by no means the only challenge that Northeast Asia is facing, its peaceful and rapid resolution can be a pivotal factor in attracting

more investment, promoting economic growth, and opening up more development opportunities -- particularly in the energy and transportation sectors.

For its part, the South Korean Government has repeatedly told the DPRK that Seoul is prepared to expand economic cooperation with the North, once Pyongyang's nuclear program is dismantled. Indeed, there is already precedent for multilateral cooperation in bringing economic benefits to the DPRK, namely the Korean Peninsula Energy Development Organization. Unfortunately, Pyongyang's failure to abide by its obligations under the Agreed Framework resulted in the suspension of much of KEDO's work. Nonetheless, by now it should be clear to the North Koreans that other nations are prepared to assist them in resolving their economic difficulties, if only the DPRK will cease threatening the security of us all.

Your government, the Republic of Korea, is sending abundant signals to the North that it is ready to work hard on economic cooperation with North Korea, to help the North modernize its economy and take better care of its people. In addition to considerable humanitarian assistance, which has already been delivered over several years, the South Korean government has had detailed discussions with the North on ways to promote trade and investment, resulting in some important framework agreements. The South Korean government has also made it clear that it is prepared to make the investments necessary to make the Kaesong Industrial Complex a reality, and has had talks with North Korea about rebuilding rail connections from South Korea through North Korea and into China.

Such engagement can help bring about the changes we all want to see in North Korea. That said, it is important for economic cooperation efforts to be carefully calibrated. If we are too inflexible, and assume that North Korea cannot change, we risk the possibility of missing opportunities to explore economic progress with North Korea that could ultimately help improve the security situation. On the other hand, if we pursue engagement without insisting that North Korea curb its unacceptable behavior, we risk establishing a pattern in which North Korea will never make the changes that it must make if it is to become a responsible member of the international community. In this context, we welcome the increased attention that South

Korea is giving to the nuclear issue in its dialogue with North Korea.

This kind of careful calibration is important for strategic reasons. In the long run, it is also important for economic reasons. Pyongyang needs to know that economic cooperation means mutually beneficial, even profitable, economic interaction between consenting parties. To get to that point, North Korea has a lot of catching up to do just to establish the most basic laws, tax systems, labor rules and pricing systems, which almost every other developing country in the world has already put in place.

In the big picture, each partner in Northeast Asia has a central role to play in achieving broader regional integration. I am convinced that if South Korea can keep its markets open and flexible, continue on the path of technological innovation, improve governance practices and enhance the protection of intellectual property, then it will in fact be able to play the central role that it seeks in Northeast Asian economic development. Along with the recent designation of Special Economic Zones for development as centers for regional and global trade and the "hub concept," Korea is preparing itself for a vital role in the economic integration of this region in the 21st Century.

Our challenge is to explore all of these opportunities and challenges together to the fullest. With hard work and skillful diplomacy, I believe that the process of the Six Party Talks could ultimately lead to a more effective structure for promoting security in Northeast Asia as well as improved ways of creating a more stable and positive climate for business investment and financial development in the region.

I welcome this opportunity today to explore with you how the path to peace can be pursued, with the ultimate goal being even greater prosperity for all of Northeast Asia.

Thank you very much.

